



**U. S. Department of Housing and
Urban Development**

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OFFICE OF INSPECTOR GENERAL FOR AUDIT

Audit Related Memorandum
No. 97-DE-207-1803

June 11, 1997

MEMORANDUM FOR: Vernon Haragara, Administrator, Northern Plains
Office of Native American Programs, 8API

FROM: W. D. Anderson, District Inspector General for Audit, 8AGA

SUBJECT: Management of Cash Assets
Turtle Mountain Housing Authority
Belcourt, North Dakota

We have completed a limited review of the internal controls over rent and housing payment collection at the Turtle Mountain Housing Authority. The objective of our review was to determine if the Housing Authority had instituted proper internal control procedures.

SUMMARY

We found that the Housing Authority has not established the proper separation of duties over the handling of cash receipts and recording cash transactions. Without the proper controls, the Authority has limited assurance that all cash collections are properly received, receipted, and recorded. In fact, the Authority cannot account for 18 missing receipt tickets. While some Authority tenants have been able to identify that four of the missing receipt tickets were actually issued, the Authority is unable to identify the ultimate disposition of the cash collections.

BACKGROUND

The Turtle Mountain Housing Authority was established on February 7, 1962 to encourage and promote the development of low cost

housing programs, to combat an acute housing shortage and related conditions that existed in the reservation area. The Tribal Council appoints a Board of Commissioners to manage the Housing Authority. The Housing Authority is located near the Canadian border in Belcourt, North Dakota. The Housing Authority has a total of 1,565 units under management.

At the time of our review, the Housing Authority's fee accountant was RAM Enterprises located in Aberdeen, South Dakota. RAM Enterprises processes the Housing Authority's monthly accounting information and maintains documents received from the Housing Authority. The Housing Authority also maintains accounting records and copies of receipts at its office in Belcourt, North Dakota.

To accomplish our objective, we interviewed Housing Authority staff and observed the procedures used for the collection and recording of cash receipts. We examined accounting records and receipt files at the Housing Authority. The internal control review was limited to the controls over the Housing Authority's rent and housing payment collection activities. Our review covered the period from March 31, 1995 through April 15, 1997. We conducted field work in April 1997. Our review was conducted in accordance with generally accepted government auditing standards.

INADEQUATE INTERNAL CONTROLS

We determined that the Housing Authority did not have adequate controls over cash receipts. Proper separation of duties and receipt ticket controls had not been implemented. As a result of these weak internal controls, the Housing Authority cannot account for 18 missing receipt tickets and cannot assure that other payments were processed properly.

Under the provisions of the Annual Contributions Contract and related HUD regulations, the Authority is to establish proper controls over its cash receipts and ensure that such monies are properly deposited into the Authority's bank account. Under a proper system of internal controls over cash, the functions of handling Authority funds is to be separate from the functions of recording cash transactions.

We found that the Authority did not have the proper separation of duties over handling and recording of cash transactions. On one person, the Rent Collection Clerk, had the primary responsibility for collecting and recording of cash receipts. The clerk accepted tenant rental and housing payments, issued cash receipts, posted cash receipts to the cash receipts journal using a computer terminal, performed voids and corrections using the computer terminal, prepared bank deposits, and participated in the final cash count. The clerk was also responsible for sending accounting information and records to the Housing Authority's fee accountant.

We also noted insufficient controls over cash receipt tickets .
Specifically:

- Numbered cash receipts are not secured and could be obtained by unauthorized individuals.
- Most receipts are printed by the computer system, but some receipts are handwritten.
- Three separate cash collections locations used the same numeric sequence on their cash receipts. Sections of the receipts are taken from the master roll. No record of which receipts were given to a location is maintained.

At the time of our review, the Housing Authority could not account for 18 missing receipt numbers . Housing Authority rental property residents had produced four of these missing receipts which support rent payment. The Housing Authority had no record of these payments.

These same internal control weaknesses were discovered during a review in January, 1995 by HUD OIG. At that time, the weak internal controls resulted in a cash shortage of \$81,700. Audit Report 95-DE-207-1002 described these same weaknesses and warned that controls needed to be improved to prevent future cash shortages. While some internal controls were improved, not all recommendations were implemented. Once again, as a result of not implementing the recommendations in the previous report, the Housing Authority cannot account for all cash collections.

Recommendations

We recommend the Northern Plains Office of Native American Programs:

- 1A Provide guidance to the Housing Authority in establishing proper controls over its cash receipts.
- 1B Require the Housing Authority to establish and maintain proper controls as they relate to separation of duties over the handling and recording of cash receipt transactions.
- 1C Review the Housing Authority's revised procedures over cash and ensure that the proper internal controls are established and maintained.

These recommendations will be controlled under the Departmental Automated Audits Management System. Within 60 days, please furnish this office, for the recommendations cited in this memo, a status report on: (a) the corrective action taken; (b) the proposed corrective actions and the date to be completed; or (c) why

corrective action is not necessary. Also please furnish us copies of any correspondence or directives issued because of this review.

We appreciate the courtesies and assistance extended by the Northern Plains Office of Native American Programs and the Turtle Mountain Housing Authority. Should you have any questions, please contact Ernest Kite, Assistant District Inspector General for Audit, at (303) 672-5452.

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